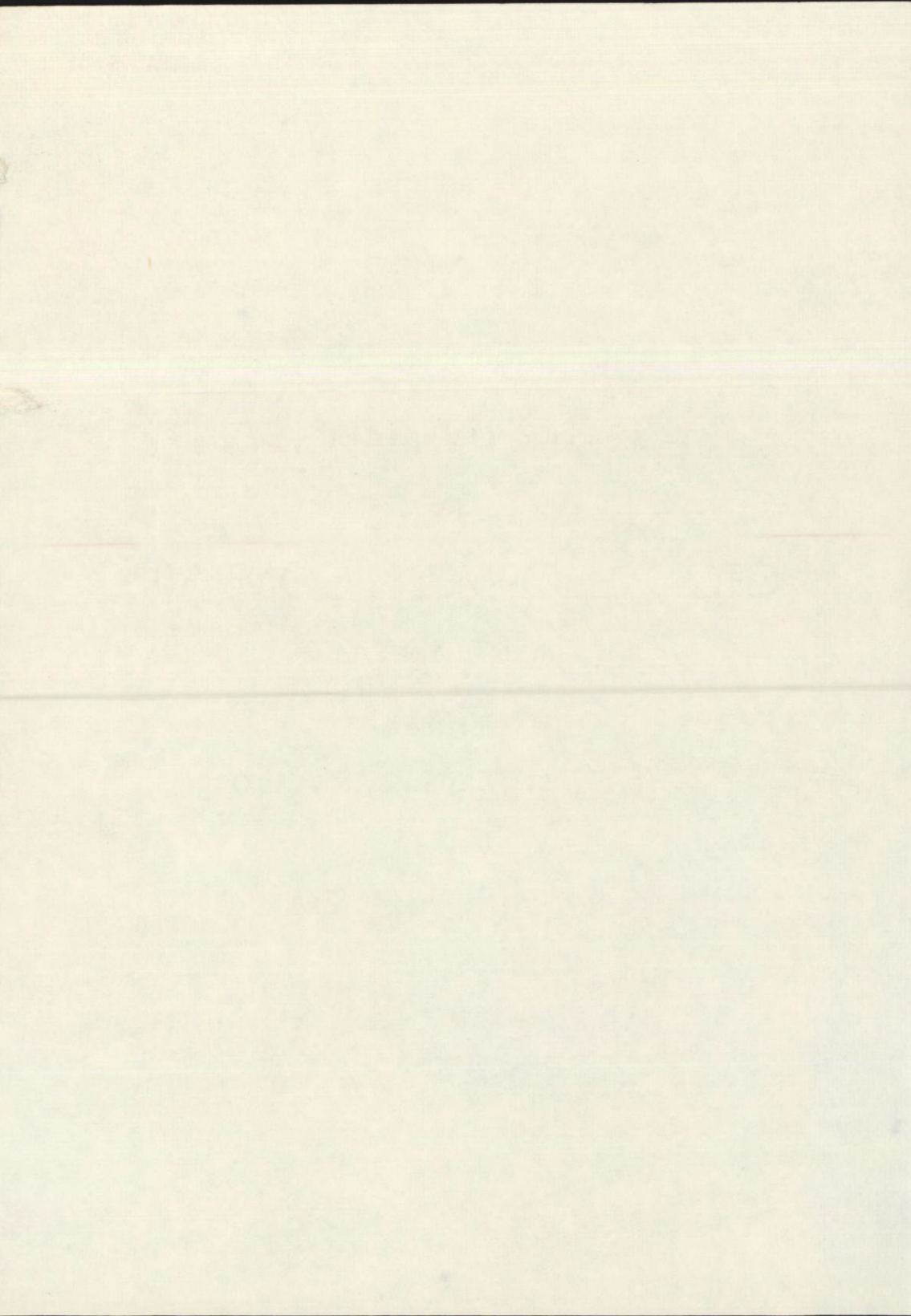


Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 31, 1953



OFFICERS

Jay C. Hormel - - - - -	Chairman of the Board
H. H. Corey - - - - -	President
R. F. Gray - - - - -	Executive Vice President
R. H. Daigneau - - - - -	Vice President
Park Dougherty - - - - -	Vice President
R. D. Gower - - - - -	Vice President and Controller
T. H. Hocker - - - - -	Vice President
A. E. Larkin, Jr. - - - - -	Vice President
Clarence A. Nockleby - - - - -	Vice President
J. L. Olson - - - - -	Vice President
E. J. Garrity - - - - -	Assistant Vice President
M. F. Dugan - - - - -	Treasurer
Geo. W. Ryan - - - - -	Secretary and Assistant Treasurer
P. C. Knopf - - - - -	Assistant Treasurer
R. C. Dougherty - - - - -	Assistant Secretary
R. H. Biedermann - - - - -	Assistant Controller
E. H. Larson - - - - -	Assistant Controller



DIRECTORS

R. S. Banfield	
*S. D. Catherwood	
H. H. Corey	
R. H. Daigneau	
Park Dougherty	
M. F. Dugan	
R. D. Gower	
R. F. Gray	
T. H. Hocker	
Jay C. Hormel	
Clarence A. Nockleby	
J. L. Olson	

*Deceased Dec. 10, 1952

Austin, Minnesota
November 28, 1953

To the Stockholders of
Geo. A. Hormel & Company

The financial report of your company for the fiscal year ended October 31, 1953 (53 weeks) is submitted herewith.

Net dollar sales for the year amounted to \$313,482,652. This is an increase of 2.4% over the previous year and makes the third successive year the company's sales have exceeded \$300,000,000.

The sales tonnage this year again reached a new high; it amounted to 946,329,454 pounds, an increase over the year before of 4.4%. This makes the seventh successive year the tonnage sales have increased.

After allowing for dividends on preferred stock, the net earnings applicable to the common stock were \$2,933,192, or \$5.73 per share, compared to \$4.02 last year and \$4.54 the year before.

A business such as ours, with a low per cent of profit per dollar of sales, must have a large volume to be profitable. While the pork tonnage was a little lower during the year, there was available a much greater amount of beef which permitted a better sustained volume throughout our manufacturing departments, and in our many sales outlets. This better volume of sales, together with the availability of raw materials for our manufactured items, was largely responsible for the improved earnings.

Our net profit amounted to 96 cents per hundred dollars of sales, or 32 cents per hundredweight of product sold.

We continue to price our inventory, as reflected in our financial report, at the lower of cost or market.

This makes the fifteenth year that the company has practised profit sharing, which we call "joint earnings," with our employees. The benefits that have accrued to our employees have, we believe, been instrumental in building a better spirit in the organization. The good joint earnings distribution this year is the result of the power of cooperative effort between management and employees. This year the distribution to employees eligible for joint earnings was \$2,027,396 which was equal to 3.579 weeks' checks, based on a 40 hour week.

The Hormel Employees' Profit-Sharing Trust, which is separate from the joint earnings, was set up in 1944 to provide retirement benefits for Hormel employees. The company's distribution this year amounted to \$1,555,368 and the total in the Trust at present is over nine million dollars.

During the fiscal year, following the pattern of practically all packing houses, we increased the wages of our people by 4 cents an hour on October 27, 1952 and again on September 28, 1953 by 5 cents an hour. Medical and hospital insurance benefits were also increased.

This has been a year of expansion and improvement for our company, the major expansion being the purchase of the pork packing facilities of the Tobin Packing Co., Inc. at Fort Dodge, Iowa. This plant does not slaughter beef or other rail stock. The Fort Dodge plant is comparatively new, of modern and up-to-date brick and concrete construction and in good repair. It is well situated in one of the best farming sections of Iowa.

Our company, for quite some time, has not been able to produce sufficient volume to take care of the demand for our products. It has been necessary to buy from other packers considerable product for processing. In order to take care of the demand, we have had to manufacture SPAM at outside packing houses for a number of years. We believe the addition of the Fort Dodge plant will permit us to better supply the demand for all of our specialized manufactured products. We will have the raw material and processing facilities, as well as the trained personnel at Fort Dodge, to augment materially our operations and provide more profit potential. The results from the addition of the Fort Dodge plant will be more fully reflected in the coming years inasmuch as we had possession of that plant for only the last three months of our fiscal year.

Here at Austin we have replaced older construction which will give us improved and enlarged facilities for manufacturing smoked hams, bacon and dry sausage, as well as canned hams and other Flavor-Sealed products. These are improvements that we have needed for some time and, as a result of them, we will be in a better position to serve our customers.

We retired \$1,300,000 which was the portion of our long term loan due at the end of the year. There was a reduction in our working capital of \$3,647,895 which we regard as a good showing inasmuch as it reflects the purchase of the Fort Dodge plant and the other capital improvements noted above. The earnings above dividends and the depreciation took care of a substantial amount of the money invested in permanent assets.

The stockholders' investment, as shown in the balance sheet, amounted to \$26,623,520. Except for the long term notes, which are payable serially, the company had no bank loans or other borrowed money at the end of the year. The balance due on our long term notes is \$4,600,000 plus \$1,300,000 which will be due within the year and which is carried as a current liability in the balance sheet.

The company continues to push vigorously its research program and has produced very satisfactory results in meat curing and processes, and has many other items under investigation.

It is with deep sorrow that we record the death of S. D. Catherwood. He had long been our general counsel and had been a director of the company from 1906 to the day of his death. He was greatly esteemed by all with whom he came in contact and was a valued member of our organization.

Doing business under a free market, without government O.P.S. restrictions, produced a healthier operation. Hog prices were substantially higher; beef prices, because of the over-supply, on the other hand, were lower.

We are proud of our people, and believe that with the new plant, additional facilities and fine organization, our company will now better than ever serve our customers, our livestock producers and our stockholders, together with our employees.

H. H. COREY
President

BALANCE SHEET
Geo. A. Hormel & Company
October 31, 1934

ASSETS

CURRENT ASSETS		\$35,200,971
Cash		\$ 7,182,542
Accounts receivable, less allowance of \$100,000		10,591,390
Inventories of products, livestock, packages and materials—at lower of cost or market		17,278,651
Unexpired insurance premiums and other prepaid expenses		<u>148,388</u>

PROPERTY, PLANT AND EQUIPMENT		19,588,082
Land—at cost		\$ 343,640
Buildings and equipment		18,280,927
Cost	\$31,066,610	
Less allowances for depreciation and amortization	<u>12,785,683</u>	
Movable equipment—inventoried at cost, less amortization		<u>963,515</u>

\$54,789,053

CE SHEET

pany — Austin, Minnesota

31, 1953

LIABILITIES

CURRENT LIABILITIES \$23,565,533

Accounts payable and accrued expenses, including pay rolls, profit-sharing trust contribution, etc. -----	\$18,652,179
Dividends payable November 16 -----	341,369
Federal taxes on income—estimated -----	3,271,985
Portion of bank term loans due within one year -----	<u>1,300,000</u>

LONG TERM DEBT 4,600,000

Unsecured notes payable to banks -----	\$ 5,900,000
Due \$900,000 annually on September 1 to 1956 -----	\$2,700,000
Due \$400,000 annually on September 29 to 1956, and \$1,000,000 on September 29, 1957 and 1958 -----	<u>3,200,000</u>
Less amounts due within one year, shown above as current liability -----	<u>1,300,000</u>

STOCKHOLDERS' INVESTMENT 26,623,520

Preferred stock, cumulative, par value \$100 per share:

Authorized 48,935 shares

Issued and outstanding — 14,454 shares —

Series A, 6%, callable at \$105 per share ---- \$ 1,445,400

Common stock, par value \$15 per share:

Authorized 600,000 shares

Issued and outstanding 511,500 shares ----- 7,672,500

Earnings reinvested in the business, in addition to amounts transferred to common stock (of the reinvested earnings at October 31, 1953, \$6,313,238 was free from the restriction on cash distributions on common stock under the long term debt agreement). -----

17,505,620

\$54,789,053

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year (53 weeks) ended October 31, 1953

SALES (less returns and allowances) -----	\$325,309,376	
Less freight and express -----	11,826,724	
NET SALES -----		\$313,482,652
COSTS, EXPENSES, AND TAXES -----		310,462,736
(Itemized below)		
MATERIAL COSTS AND EXPENSES	\$260,038,993	
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately -----	\$257,740,099	
Provision for depreciation and amortization -----	1,723,254	
Sundry charges (including in- terest expense of \$520,426) less sundry income and credits -----	575,640	
TOTAL WAGE COSTS	46,084,080	
Wages and salaries, including joint earnings -----	\$ 43,402,864	
Contribution to employees' profit-sharing trust -----	1,555,368	
Unemployment and federal old age benefit contributions -----	596,624	
Group life, hospitalization, and sick leave -----	529,224	
TOTAL TAXES	4,339,663	
State income, property, and other taxes -----	\$ 1,164,663	
Federal taxes on income (no provision for excess profits tax required) -----	3,175,000	
NET EARNINGS		<u><u>\$ 3,019,916</u></u>

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year (53 weeks) ended October 31, 1953

Balance October 25, 1952-----		\$15,851,178
Add net earnings for the year-----		3,019,916
		<u>\$18,871,094</u>
Deduct cash dividends -----		1,365,474
On preferred stock—\$6.00 per share-----	\$ 86,724	
On common stock—\$2.50 per share-----	<u>1,278,750</u>	
Balance October 31, 1953-----		<u><u>\$17,505,620</u></u>

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the Balance Sheet of GEO. A. HORMEL & COMPANY as of October 31, 1953, and the related Statements of Earnings and Earnings Reinvested in the Business for the fiscal year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of GEO. A. HORMEL & COMPANY at October 31, 1953, and the results of its operations for the fiscal year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 23, 1953

